

# Medicaid Reimbursement

*June 23, 2015*

Districts and CESAs can receive payments from the Department of Health Services (DHS) for providing school-based services (SBS) to eligible students. Three types of payments are processed by DHS:

- **Interim SBS payments** are fee-for-service payments on claims for direct services.
- **Medicaid Administrative Claim (MAC) payments** are intended to cover administrative overhead.
- **Cost settlement payments** are intended to resolve differences between submitted claims and final eligibility.

More information on Medicaid reimbursement is available at [http://sped.dpi.wi.gov/sped\\_subjects](http://sped.dpi.wi.gov/sped_subjects).

## Current Year Transactions

Federal regulations require that Medicaid-funded expenditures be excluded from IDEA Maintenance of Effort (MOE) determinations. Because MAC and cost settlement payments are not provided on a regular schedule, tied to specific services on specific dates, this can create problems with districts' MOE. Therefore, DPI has determined that MAC and cost settlement payments are coded to Fund 10. Only interim SBS claim payments are coded to Fund 27. Districts, vendors, and Medicaid administrators should submit SBS claims as timely as possible to ensure revenues are booked in the correct year.

When a refund is paid to DHS or a recoupment is withheld from a Medicaid payment and the refund or recoupment is to reverse a current year payment then it should be coded as a reduction in the revenue being refunded or recouped, rather than as an expenditure. Refunds and recoupments of payments from past years are treated differently—see "Past Year Transactions" for details.

## Sample Transactions

### Revenues

- **District receives payment of an interim SBS claim from DHS' Medicaid administrator.**

|    | <i>Account</i> | <i>Item</i>              | <i>Entry</i>                   |
|----|----------------|--------------------------|--------------------------------|
| DR | 27 B 711000    | Cash                     | DEBIT (+) for amount received  |
| CR | 27 R 780       | Federal Aid not from DPI | CREDIT (+) for amount received |

The coding is the same whether services are provided to the district's own students or another district's.

- **District receives a MAC or cost settlement payment from DHS' Medicaid administrator.**

|    | <i>Account</i> | <i>Item</i>                     | <i>Entry</i>                   |
|----|----------------|---------------------------------|--------------------------------|
| DR | 10 B 711000    | Cash                            | DEBIT (+) for amount received  |
| CR | 10 R 780       | Federal Aid from Other than DPI | CREDIT (+) for amount received |

➤ **District receives payment from CESA for Medicaid services provided by CESA to its students.**

The payment is coded depending upon what is and where it is from. As with direct payments from the Medicaid administrator, interim SBS transits are coded to Fund 27 while MAC and cost settlement transits are coded to Fund 10.

|    | <i>Account</i> | <i>Item</i>                | <i>Entry</i>                   |
|----|----------------|----------------------------|--------------------------------|
| DR | 27 B 711000    | Cash                       | DEBIT (+) for amount received  |
| CR | 27 R 581       | Medicaid Transit from CESA | CREDIT (+) for amount received |

**Expenditures**

➤ **District is required to refund an improper SBS claim made in the current year.**

Because this is a refund of current year revenue, it is recorded as a reversal of that revenue rather than an additional expenditure:

|    | <i>Account</i> | <i>Item</i>              | <i>Entry</i>                   |
|----|----------------|--------------------------|--------------------------------|
| DR | 27 R 780       | Federal Aid not from DPI | DEBIT (-) for amount refunded  |
| CR | 27 B 711000    | Cash                     | CREDIT (-) for amount refunded |

➤ **DHS' Medicaid administrator recoups an improper current year SBS claim from a MAC payment.**

|    | <i>Account</i> | <i>Item</i>              | <i>Entry</i>                    |
|----|----------------|--------------------------|---------------------------------|
| DR | 10 B 711000    | Cash                     | DEBIT (+) for balance received  |
| DR | 27 R 780       | Federal Aid not from DPI | DEBIT (-) for amount withheld   |
| CR | 10 R 780       | Federal Aid not from DPI | CREDIT (+) for full MAC payment |

The district may wish to record the transaction with a cash transfer to "pay" the recoupment out of Fund 27, rather than rolling it into the 10-to-27 transfer at year end:

**Example: \$500 improper SBS claim withheld from \$10,000 MAC payment (net \$9,500 received)**

| Debits  |                 |             |        | Credits |                 |             |        |
|---|-----------------|-------------|--------|---------|-----------------|-------------|--------|
| 1. Record the MAC payment in Fund 10 and the SBS recoupment in Fund 27 as cash transactions.  |                 |             |        |         |                 |             |        |
| DR  | 10 B 711000     | Cash        | 10,000 | CR      | 10 R 780        | Federal Aid | 10,000 |
| DR  | 27 R 780        | Federal Aid | 500    | CR      | 27 B 711000     | Cash        | 500    |
| 2. Make Fund 27 whole by transferring the amount recouped from Fund 10, reflecting the increase in local special education costs due to the recoupment. |                 |             |        |         |                 |             |        |
| DR  | 10 E 411000 827 | Fund Xfr.   | 500    | CR      | 27 R 411000 110 | Fund Xfr.   | 500    |
| DR  | 27 B 711000     | Cash        | 500    | CR      | 10 B 711000     | Cash        | 500    |

## Complex Transactions

- **Payment is received on behalf of the district by CESA or another LEA, but it has not yet been sent to the district or it will remain on deposit at CESA/LEA and expended on the district's behalf.**

If a CESA or another LEA receives Medicaid funds on the district's behalf, but an exchange of funds does not actually occur, the activity must still be recorded on the ledgers of both the district and the other LEA. The other LEA must notify the district of any Medicaid payments received and its use of those funds, if any, in order for them to record the activity. Prior to closing its fiscal year, the district should confirm with the other LEA any retained balances or amounts due.

**Example: Interim SBS claim revenue received by CESA on behalf of the district, but not transited by June 30**

*This year's entry to record receivable from CESA*

|    | Account     | Item                       | Entry                            |
|----|-------------|----------------------------|----------------------------------|
| DR | 27 B 715000 | Due from Other Governments | DEBIT (+) for amount receivable  |
| CR | 27 R 581    | Medicaid Transit from CESA | CREDIT (+) for amount receivable |

*Next year's entry to record receipt of Medicaid revenue transit*

|    | Account     | Item                       | Entry                          |
|----|-------------|----------------------------|--------------------------------|
| DR | 27 B 711000 | Cash                       | DEBIT (+) for amount received  |
| CR | 27 B 715000 | Due from Other Governments | CREDIT (-) for amount received |

**Example: Interim SBS claim revenue used by District B to purchase OT services for District A**

District A's entries

*Entry to record receipt of interim SBS revenue by District B*

|    | Account     | Item                           | Entry                            |
|----|-------------|--------------------------------|----------------------------------|
| DR | 27 B 715000 | Due from Other Governments     | DEBIT (+) for amount receivable  |
| CR | 27 R 381    | Medicaid Transit from District | CREDIT (+) for amount receivable |

*Entry to record OT expenditure paid with interim SBS revenue*

|    | Account             | Item                               | Entry                          |
|----|---------------------|------------------------------------|--------------------------------|
| DR | 27 E 218100 382 019 | Occupational Therapy from District | DEBIT (+) for amount expended  |
| CR | 27 B 715000         | Due from Other Governments         | CREDIT (-) for amount expended |

District B's entries

*Entry to record receipt of interim SBS revenue on District A's behalf, as an aid transit liability*

|    | Account             | Item                            | Entry                          |
|----|---------------------|---------------------------------|--------------------------------|
| DR | 27 B 711000         | Cash                            | DEBIT (+) for amount received  |
| CR | 27 R 780            | Federal Aid from Other than DPI | CREDIT (+) for amount received |
| DR | 27 E 491000 981 019 | Medicaid Transited to Others    | DEBIT (+) for amount received  |
| CR | 27 B 813000         | Due to Other Governments        | CREDIT (+) for amount received |

*Continued on next page...*

*Entry to record OT expenditure against the aid transit liability*

|    | <i>Account</i>      | <i>Item</i>                      | <i>Entry</i>                   |
|----|---------------------|----------------------------------|--------------------------------|
| DR | 27 B 813000         | Due to Other Governments         | DEBIT (-) for amount expended  |
| CR | 27 R 349            | Payments for Other Services      | CREDIT (+) for amount expended |
| DR | 27 E 218100 310 011 | Occupational Therapy from Vendor | DEBIT (+) for amount expended  |
| CR | 27 B 711000         | Cash                             | CREDIT (-) for amount expended |

## Past Year Transactions

DHS' Medicaid administrator has the ability to audit Medicaid claims and payments going back several years. When they identify past under- or over-payments to a district, the amount will usually be added to or subtracted from the next regular payment. Districts should actively monitor the Medicaid payment system for payments adjusted or withheld due to past year audits, especially after the administrator announces it will be auditing a particular period.

All expenditures and revenues related to past year Medicaid payments are coded to Fund 10 **with one exception**: Rebates and recoupments of interim SBS claims from the year immediately prior (e.g. an improper 2013-14 claim recouped in 2014-15) are coded to Fund 27. The reason is that incorrect claims addressed timely (within one year) by the Medicaid administrator are included in MOE determinations. Interim SBS claim rebates and recoupments from earlier years are coded to Fund 10.

**NOTE: Resolution of an outstanding accrual is not a "past year transaction."** A revenue or expenditure accrued but not received by June 30 is booked to the appropriate balance sheet account. A revenue that was not accrued at year end but could have been (e.g. an SBS claim submitted in late June) can either be accrued retroactively with a June 30 journal entry or receipted as though it were cash, depending upon whether the district regularly accrues Medicaid claims.

## Sample Transactions

### Revenues

- **District receives payment from DHS' Medicaid administrator for an underpaid cost settlement from a past year.**

|    | <i>Account</i> | <i>Item</i>              | <i>Entry</i>                   |
|----|----------------|--------------------------|--------------------------------|
| DR | 10 B 711000    | Cash                     | DEBIT (+) for amount received  |
| CR | 10 R 780       | Federal Aid not from DPI | CREDIT (+) for amount received |

- **District receives payment in 2014-15 of an SBS claim withheld in error by DHS' Medicaid administrator in 2013-14.**

The SBS claim is from the year immediately prior, so the transaction is coded to Fund 27:

|    | <i>Account</i> | <i>Item</i>              | <i>Entry</i>                   |
|----|----------------|--------------------------|--------------------------------|
| DR | 27 B 711000    | Cash                     | DEBIT (+) for amount received  |
| CR | 27 R 780       | Federal Aid not from DPI | CREDIT (+) for amount received |

➤ **District receives payment in July of an interim SBS claim submitted in June.**

As indicated in the note on resolution of outstanding accruals, this is not truly a “past year transaction.” The district may make a June 30 journal entry to accrue the SBS funds in the year they were claimed, and then record the payment when received:

|                              | <i>Account</i> | <i>Item</i>                | <i>Entry</i>                   |
|------------------------------|----------------|----------------------------|--------------------------------|
| <i>June 30 journal entry</i> |                |                            |                                |
| DR                           | 27 B 715000    | Due from Other Governments | DEBIT (+) for amount received  |
| CR                           | 27 R 780       | Federal Aid not from DPI   | CREDIT (+) for amount received |
| <i>July payment receipt</i>  |                |                            |                                |
| DR                           | 27 B 711000    | Cash                       | DEBIT (+) for amount received  |
| CR                           | 27 B 715000    | Due from Other Governments | CREDIT (-) for amount received |

Or, if the district’s Medicaid claim process does not allow for regular accrual of interim SBS claims, it may simply treat the payment as cash:

|    | <i>Account</i> | <i>Item</i>              | <i>Entry</i>                   |
|----|----------------|--------------------------|--------------------------------|
| DR | 27 B 711000    | Cash                     | DEBIT (+) for amount received  |
| CR | 27 R 780       | Federal Aid not from DPI | CREDIT (+) for amount received |

➤ **Last year (2013-14) the district refunded an SBS payment from the previous year (2012-13) to DHS, coding it as a refund of prior year revenue (27E 491000 971). This year (2014-15) the Medicaid administrator determines that the refund had been in error and rebates it to the district.**

Because the district recorded the refund last year as an object 971 expenditure, the rebate must be recorded as a source 971 revenue. The exception requiring that adjustments for SBS claims in the previous year be coded to Fund 27, rather than Fund 10, applies to the year in which claims were filed. Since these claims had been filed two years prior (in 2012-13) the revenue is coded to Fund 10:

|    | <i>Account</i> | <i>Item</i>                  | <i>Entry</i>                   |
|----|----------------|------------------------------|--------------------------------|
| DR | 10 B 711000    | Cash                         | DEBIT (+) for amount received  |
| CR | 10 R 971       | Refund of Prior Year Expense | CREDIT (+) for amount received |

### *Expenditures*

➤ **District is required to refund a MAC overpayment from a past year.**

|    | <i>Account</i>  | <i>Item</i>                  | <i>Entry</i>                   |
|----|-----------------|------------------------------|--------------------------------|
| DR | 10 E 492000 971 | Refund of Prior Year Revenue | DEBIT (+) for amount refunded  |
| CR | 10 B 711000     | Cash                         | CREDIT (-) for amount refunded |

➤ **District is required to refund an improper SBS claim submitted in the previous year.**

|    | <i>Account</i>      | <i>Item</i>                  | <i>Entry</i>                   |
|----|---------------------|------------------------------|--------------------------------|
| DR | 27 E 492000 971 019 | Refund of Prior Year Revenue | DEBIT (+) for amount refunded  |
| CR | 27 B 711000         | Cash                         | CREDIT (-) for amount refunded |

### Complex Transactions

- **DHS' Medicaid administrator withholds payment of an interim SBS claim to recoup a cost settlement payment from a past year.**

The basic idea is that Fund 27 "lends" SBS revenue to Fund 10 in order to cover the recoupment, through a reduction in the 10-to-27 operating transfer:

|    | Account         | Item                               | Entry                          |
|----|-----------------|------------------------------------|--------------------------------|
| DR | 10 E 492000 971 | Refund of Prior Year Revenue       | DEBIT (+) for amount withheld  |
| CR | 27 R 780        | Federal Aid not from DPI           | CREDIT (+) for amount withheld |
| DR | 27 R 411000 110 | Transfer from General Fund         | DEBIT (-) for amount withheld  |
| CR | 10 E 411000 827 | Transfer to Special Education Fund | CREDIT (-) for amount withheld |

- **DHS' Medicaid administrator reduces a MAC payment to recoup improper SBS claims. Some of the improper SBS claims are from the previous year, but some are from earlier years.**

The refund is split between Fund 27 for the previous year's claims and Fund 10 for older claims:

|    | Account             | Item                         | Entry                               |
|----|---------------------|------------------------------|-------------------------------------|
| DR | 10 E 492000 971     | Refund of Prior Year Revenue | DEBIT (+) for earlier yrs. recouped |
| DR | 27 E 492000 971 019 | Refund of Prior Year Revenue | DEBIT (+) for prev. yr. recouped    |
| DR | 10 B 711000         | Cash                         | DEBIT (+) for balance received      |
| CR | 10 R 780            | Federal Aid not from DPI     | CREDIT (+) for full MAC payment     |

The district may wish to record the transaction with a cash transfer, rather than rolling it into year end:

**Example: \$10,000 MAC payment, less \$2,500 prior year SBS claim recoupment and \$1,000 older SBS claim recoupment (net \$6,500 received)**

| Debits  |                     |              |        | Credits |                 |           |        |
|---|---------------------|--------------|--------|---------|-----------------|-----------|--------|
| 1. Record the MAC payment and SBS claim recoupments as cash transactions. |                     |              |        |         |                 |           |        |
| DR  | 10 B 711000         | Cash         | 10,000 | CR      | 10 R 581        | MAC pmt.  | 10,000 |
| DR  | 10 E 492000 971     | Older Refund | 1,000  | CR      | 10 B 711000     | Cash      | 1,000  |
| DR  | 27 E 492000 971 019 | PY Refund    | 2,500  | CR      | 27 B 711000     | Cash      | 2,500  |
| 2. Transfer cash to Fund 27 to cover the prior year refund.               |                     |              |        |         |                 |           |        |
| DR  | 10 E 411000 827     | Fund Xfr.    | 2,500  | CR      | 27 R 411000 110 | Fund Xfr. | 2,500  |
| DR  | 27 B 711000         | Cash         | 2,500  | CR      | 10 B 711000     | Cash      | 2,500  |

- **CESA administers Medicaid SBS on the district's behalf. The contract specifies that CESA retain a percentage of all Medicaid revenues received. CESA receives a cost settlement payment for a past year and forwards it along to the district, withholding the percentage specified by the contract.**

There are really two separate transactions in this scenario: payment from DHS via CESA, and payment to CESA. The cost settlement is Fund 10 revenue but the CESA percentage, being an administrative charge for special education services, is Fund 27 expenditure:

|    | <i>Account</i>      | <i>Item</i>                   | <i>Entry</i>                        |
|----|---------------------|-------------------------------|-------------------------------------|
| DR | 10 B 711000         | Cash                          | DEBIT (+) for balance received      |
| DR | 27 E 252000 386 019 | Fiscal Administration to CESA | DEBIT (+) for amount withheld       |
| CR | 10 R 581            | Medicaid Transit from CESA    | CREDIT (+) for full cost settlement |

The district may wish to record the transaction with a cash transfer, rather than rolling it into year end:

***Example: \$50,000 cost settlement less 2% CESA administrative charge (net \$49,000 received)***

| Debits  |                     |             |        | Credits |                 |              |        |
|---|---------------------|-------------|--------|---------|-----------------|--------------|--------|
| 1. Record the cost settlement in Fund 10 and the administrative charge in Fund 27 as cash transactions. |                     |             |        |         |                 |              |        |
| DR  | 10 B 711000         | Cash        | 50,000 | CR      | 10 R 581        | Cost Settlm. | 50,000 |
| DR  | 27 E 252000 386 019 | CESA Admin. | 1,000  | CR      | 27 B 711000     | Cash         | 1,000  |
| 2. Transfer cash to Fund 27 to cover the administrative charge.   |                     |             |        |         |                 |              |        |
| DR  | 10 E 411000 827     | Fund Xfr.   | 1,000  | CR      | 27 R 411000 110 | Fund Xfr.    | 1,000  |
| DR  | 27 B 711000         | Cash        | 1,000  | CR      | 10 B 711000     | Cash         | 1,000  |

*Updated June 23, 2015 to clarify and add an example under "Past Year Transactions" on July/August receipt of late June Medicaid claims.*